A STAP REPORT

# INTELLIGENCE TO SUPPORT US ENERGY POLICIES AND PLANNING

## OBSERVATIONS AND CONCLUSIONS

1. A number of studies have indicated clearly that a driving force in the strategic position of the major powers in the 1980s-1990s will be the availability and price of major energy resources. In this time frame, oil, natural gas, coal and uranium are the only resources that need be considered. At present, a number of agencies and departments -- CIA, DOE, Defense, Treasury and State -- have limited efforts to examine the present situation and are making limited extrapolations of what might happen over the next ten years or more.

2. There is an overwhelming probability of continued increases in the price of oil and a severe shortage of oil relative to the demands of the world economy by the end of the coming decade. The "crunch" will be massive under the almost certain condition that the Soviets will no longer be a net energy exporter. The situation will be even worse if CIA forecasts of the Soviet need to become a substantial importer are valid. Alternative sources of energy will simply not be available in practical economic terms in the necessary volume by that time.

3. The implications of this situation in itself and for the actions of governments as it becomes closer and more

salient are numerous, critical, and complex. With the probable exception of the nations of arid Africa, the consequences of the impending energy crunch will impact heavily on most governments and thus on most major international economic issues; on the stresses felt by existing alliance systems (NATO and Warsaw Pact); on regional power balances and emerging regional powers; and on perceptions of the need for and incentives to use military forces. Without engaging in overstatement, the energy factor will have at least as much impact on the role of the United States in the world in the coming decades as nuclear weapons have had in previous decades.

4. Relative to nuclear weapons, the energy factor will create far more difficult requirements for information and thus tasks for the US intelligence and policy analysis communities. The implications cannot be adequately grasped simply through concentration on a very small number of foreign countries, on military as distinct from economic matters, and on meeting the problem through unilateral US procurements of technology.

5. The US policy community now has on its still fragmentary and thin agenda a large number of relevant issues and action programs. These developments are relatively recent and fluid in terms of the division of executive branch responsibility and focus on coordination. Nevertheless, the policy community is well ahead of the current production capacity and institutional priorities of the Intelligence

Community on energy and energy-related matters. Without substantial increases in the resources allocated to intelligence production pertinent to the energy factor, the gap will grow.

6. Many of the policy alternatives now under active consideration and increasingly detailed formulation call for syntheses of two kinds. First, they require the integration of political, economic, and scientific and technical intelligence. Second, they require the integration of estimative intelligence on the policy intentions, capacities, and responses of numerous governments in OECD, in CEMA, and in the developing world.

7. Unfortunately, these two sorts of syntheses are precisely what the US Intelligence Community is poorly organized to provide. Given other production burdens and historically established interagency and interoffice divisions of labor, it is unrealistic to expect these syntheses to be generated in the absence of high-level guidance and demand. There clearly exists competence among individual analysts as demonstrated by a superb ORPA report on the political economics of energy in the Warsaw Pact.

8. Analyses which synthesize across types of information and pertinent nations obviously can be no better than the descriptive intelligence information and "single discipline" and "single country" analyses on which they can draw. The activities being undertaken and the priority questions identified for production are by and large commendable and

necessary. They are in no way sufficient, however, to the scope of the problems posed by the energy factor.

9. It would obviously be inappropriate to assume that the sole provider of information pertinent to energy and energy-related policy issues will or should be the Intelligence Community. However, there is little evidence of a thorough assessment of which information needs should be met by the Intelligence Community, which would be best provided by analysts working under other public and private sector auspices, and how these streams of production should be organized to complement each other efficiently.

10. An examination of these efforts to (a) understand the energy policy of the Soviet Union, (b) the implications of the energy shortages to the LDCs, and (c) the significance of these developments to the future of the United States convinces us that US efforts in this area fall far short of what is needed. In our view, the availability of energy will determine the economic situation in the world in the 1985-2000 period. There is at present no unified effort to understand the long-term view of the Soviets regarding their energy policy or even their assessment of the US policy. Limited efforts are under way to understand Soviet R&D developments. We believe that these are relatively weak attempts which reflect an evaluation of Soviet R&D in terms of our own programs.

RECOMMENDATIONS

1. The DCI should charge his staff to develop a community-wide plan for the production of energy and energy-related intelligence and the identification of the additional resources necessary to support the framing and evaluation of US policy choices. The plan should also identify the focus of leadership responsibility to insure that the synthesized analyses mentioned earlier will be forthcoming.

2. The DCI and his representatives should clarify with the Secretary of Energy and his representatives the information needs of the latter and the contributions each will make to the provision of needed analyses. Resolution of their relationship is important for getting on with the substantive intelligence needs posed by the energy factor. Failure to do so is likely to result in unproductive hassles about control of the turf and additional intelligence resources.

3. While all necessary work cannot be done at once, the Intelligence Community should pursue major synthesized analyses of, and devote ongoing intelligence attention to, a small number of particularly crucial questions and problems facing US policymakers. These include:

- Preparations to maintain the safety of oil transport by sea to the United States, Western Europe, and Japan;
- Feasible and acceptable US initiatives to enhance the non-nuclear energy alternatives available to the

developing countries (and in particular to potential nuclear proliferators);

- Alternative adaptations by major OECD nations to the coming energy crunch, including their responsiveness to collective action proposals in cooperation with each other and the United States;
- Clarification of the extent and the economic and technical conditions for feasible exploitation and use of energy mineral endowments on a worldwide basis (in par
-ticular oil, natural gas, uranium, and coal);
- Alternative strategies to create sufficient inter-dependence between major energy exporters and importers to induce the latter to sharply boost extraction rates in time of emergency and to acquire the facilities on a standby basis which will make that possible in a timely fashion.

INTELLIGENCE COMMUNITY STAFF

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The attached draft report of the Scientific and Technical Advisory Panel (STAP) will soon be published as a STIC paper dealing with proposed intelligence activities in support of US energy policy and planning. The report grew out of a series of STAP meetings ranging over a goodly period of time. It's very timely for our own energy intelligence review efforts; just before the California trip, I discussed this to some extent with

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Chief, Physical Sciences and Technology Division (OSI) and Chairman of STIC.

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